independent
PROPERTY GROUP

Your guide to buying off plan

Contents

Looking for your first home? Next home? Investment?

Check out our available off plan properties page or contact us to book a buyers consultation, where we can help you work out if you're ready to buy what properties might suit your needs.

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What does it mean to buy off plan?

Buying off plan means buying a property before it's built.

It's a unique way of buying a property that is typically associated with apartments and townhouses. You purchase based on a chosen floorplan and pay the deposit. You then wait for it to be built, which can take up to two years, before you move in.

One huge advantage of buying off plan is that you can buy with a very small deposit, sometimes as low as a thousand dollars. You then have years to come up with the loan balance.

Sounds great, right?

The first two steps

FIND OUT YOUR BUDGET

Go to a mortgage broker to find out how much you can spend on a property. They'll take into consideration your current savings, earnings and spending to help you work out what your financial position is likely to be by the time you settle — it might be much stronger than it is now.

Buying off plan gives you plenty of time to get your financial house in order. You might be surprised at what kind of property you can confidently exchange on now.

WORK OUT YOUR LOCATION

Once there's a budget set in place, decide on your location. That might depend on:

> Where your kids go to school

> Where you work

> Where your friends are

> Whether you prefer to live in the inner city, suburbs or out in the country

Location matters. You want to find a good balance between what you can afford and what you want. Luckily, many off plan developments are being built in Canberra's major town centres, so there is plenty of good food, travel options and entertainment around.

All the terms you need to know

Off plan is a unique way of buying a property, so there are some unique terms involved. Here's what they mean.

Display Suite

Because you're buying something you can't see, developers create a space that buyers can visit and obtain information. It can be anything from a shipping container with pictures on the wall, to a fully finished townhouse you can walk through. Treat it like an information centre where you can get specific information about the development, particular unit or level.

Plan Book vs Brochure

A plan book is a collection of information on a project from top to bottom. It will include a summary of the developer and builder, unit floor plans and plans of the common areas and car parks. A brochure is more about the feeling and the imagery around the marketing. It's often the first piece of information you get about your purchase.

Render

This is a computer generated image of the development. It's designed to help buyers visualise what they're getting. It's so realistic that it can look like a photograph, but it shows you something that doesn't yet exist.

Colour board

This is a collection of finishes and inclusions. It generally includes examples of floor tiles, carpet, cupboard doors, tapware and other finishes. Most developments have three colour scheme options. You can choose between the three, and your choice will become part of the sale contract.

Inclusions list

This list will usually be in the plan book. It will set down the general inclusions to your unit's floor plan, for example if it includes a balcony. It also lists inclusions within the unit, including flooring, appliances and lighting.

Optional upgrades

When you buy off the plan, your colour scheme will usually determine your finishes. However, you can upgrade things for an additional cost.

Common examples include:

> Pendant lighting

> Underfloor heating

> Higher end appliances and tapware.

How to read a plan book

Floorplans are a significant part of buying off the plan, and it's important to go through it with an actual sales agent. The agent can explain what all the symbols mean, whether doors open inward or outward, and the other small details that might otherwise cause confusion. Here's what you should ask:

> What are the individual measurements for each bedroom and living space?

> What is the actual size of the unit? If it's an 80sqm unit, you should go out and look at a finished property of that size so you can get a real feel for how big that is.

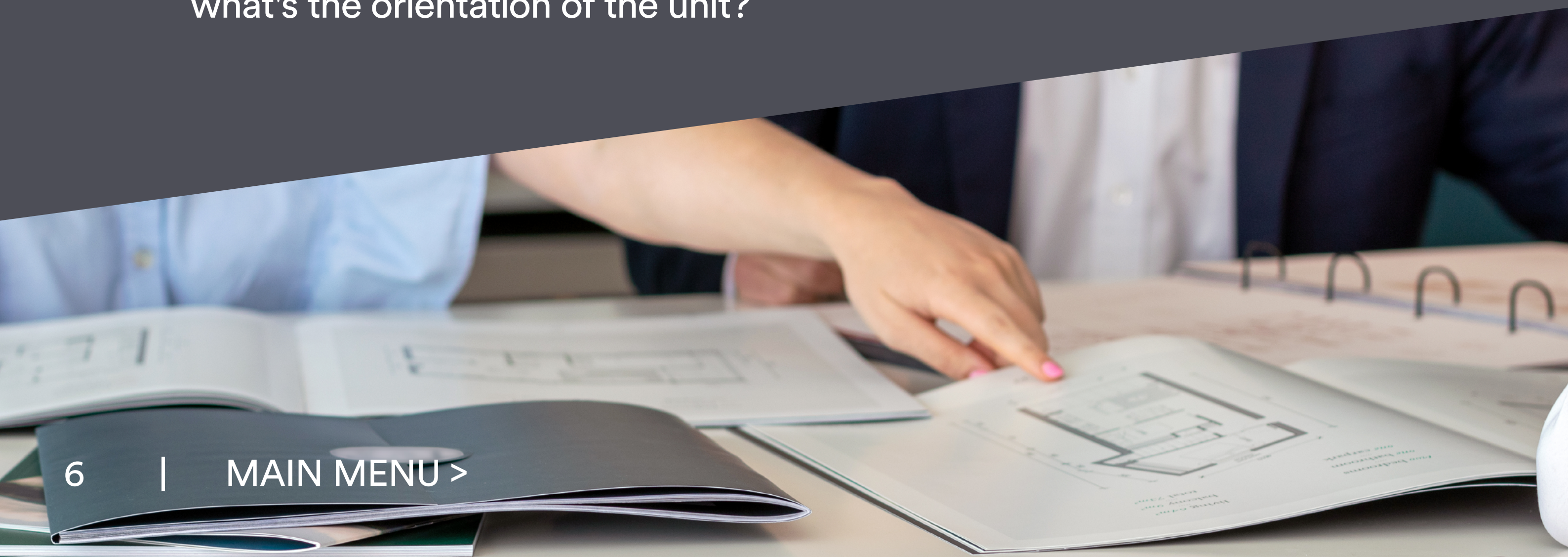
> What level is it on in the building, and what's next to you?

> Where are the roads and the entrances?

> What is the view going to be, and what's the orientation of the unit?

Can I take a planbook home?

No. Planbooks can be overwhelming and contain a lot of technical details. Your agent will go through it with you, and go through the options that work best. You'll be able to take home a brochure, some digital floorplans and inclusion lists for the apartments that suit your needs.



Questions to ask your agent:
features, incentives and timelines

Going to an display suite? To get the most out of your time there, here's what to ask the agent about the development.

1

Features

> How many apartments are in the complex?

> What is the starting price for a one-bedroom or a two-bedroom unit, and how do the prices vary?

> What's happening around the development? Is there other building work scheduled nearby?

> What's happening in the surrounding area? Are there infrastructure or development projects planned?

2

Incentives

> Sometimes the development may offer incentives, like gift cards, furniture packages or appliance packages. Ask your agent if any apply.

> You should also ask if the development is eligible for government grants like HomeBuilder. This will depend on the cost of the unit and the proposed timeline for the development to be completed.

3

Timelines

> Ask when construction is starting, and when it is scheduled to finish. This will help you know what your budget is and how long you have to save a deposit.

> At the beginning of a development, the timeline might still be quite rough. Think in terms of 'early in the year' vs 'late in the year', or 'in the second quarter'. Later on in the process you can narrow the completion date down to a particular month.

Researching your purchase

Before you decide to buy, do some research to compare the development to others on the market. How does it match up? Look at:

> Views

> Outlook

> Completion time

> The size of the apartment (floor space varies considerably even with the same number of bedrooms)

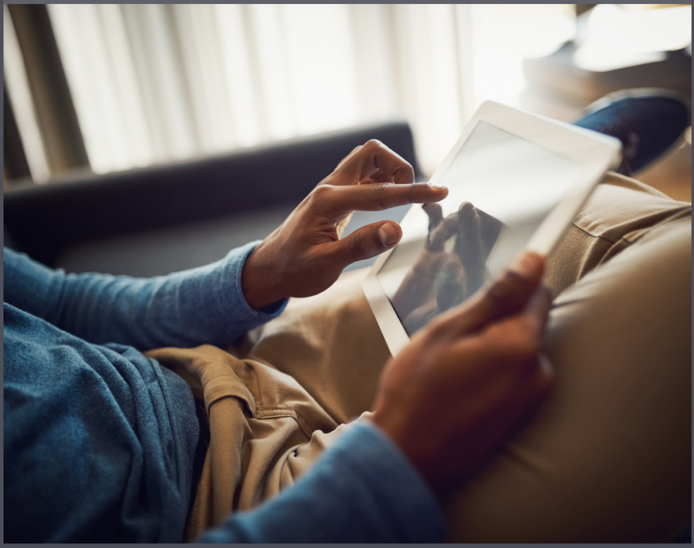
> Complex amenities like a gym, pool or sauna

> Parking

> Security features

How do I research a developer or builder?

1. Look online. All reputable developers and builders will have a detailed website with past projects.
2. Speak to the agent about what experience the developer has and details of their other projects.
3. Visit other developments. Especially if the developer has been in the business a long time, it's worth visiting older developments to see how they're holding up after 20+ years.



Strata fees and rates explained

Strata fees

Strata fees are a payment made by the owner to contribute to the upkeep of the strata complex. They are usually calculated on a unit entitlement basis. This means that larger units pay more in levies than smaller ones.

The levies go into a common pool of money and are used to pay for the maintenance and upkeep of the building.

They cover costs including:

> Building insurance

> Public liability insurance

> A strata management fee

> Sometimes a building management fee

> Upkeep of common property, including lifts, swimming pools and car parks

> Services like gardening and waste removal

Read more about strata fees on our website.

Rates

Rates are paid to the government. Just like paying rego on your car, you pay council rates as a form of 'registration' for your property. They pay for services in your local area, like the upkeep of roads, parks and libraries, waste collection and other amenities.

For off plan properties, your strata levies are calculated ahead of time so you know what you're paying for at least the first two years. Council rates are calculated once the development is completed, so you won't know the exact amount until near settlement.

The next steps to secure your purchase

You've chosen the property you want to buy. Here are the steps to follow:

1

Put down a holding deposit. This is a small amount of money that shows you're interested and takes the property off the market so nobody else can buy it.

2

Once secured, your sales agent will sit down and take your details and your solicitor's details so that they can prepare a sales contract.

3

Hire a solicitor. If you haven't got one, the sales agent can recommend one.

4

Choose your colour scheme from the colour board. This forms part of the contract.

5

Go and see your solicitor with the contract. They'll check if it's all correct and go through the floorplan and development plan with you.

6

At exchange you will need to pay the full deposit, which is usually either 5% or 10% of the purchase price (minus your holding deposit). The balance will be due at settlement.

Your purchase is now secure and you are waiting for settlement.

The benefits of using a mortgage broker

A mortgage broker is similar to a sales agent. Agents broker properties, they broker mortgages.

Mortgage brokers will sit down with you to understand your circumstances and recommend the right product. Different banks might be able to provide different options for a first home buyer. One might lend you more money, one might have a better rate while some are more flexible if you are self-employed or have unconventional employment.

Going to a mortgage broker early means you can get advice on your situation with enough time to implement it. They might recommend that you pay down debt or build up savings, or stay in your current job instead of moving.

It also means you can build a relationship throughout the process. If things change that might affect your borrowing capacity, it's easy to keep them updated.

Do I have to pay to see a mortgage broker?

No. The banks pay the broker a fee (generally a percentage of the loan amount) for their role in introducing the first home buyer to the bank.

Learn more about then benefits of working with a mortgage broker.

An investment perspective

Are you intending to buy off plan in order to rent out the property? Make sure you've chosen a property that will appeal to tenants.

Tenants are looking for:

> Low maintenance living
> A good location
> Amenities like a gym or pool
> Lots of amenities in the area, especially public transport

Off plan properties make great investments because:

> Newer properties mean less maintenance for you and your tenant
> There are warranties on all your appliances and equipment
> You can claim much higher amounts in tax depreciation, giving you a bigger tax return at the end of the year.